**Testimony of Doug Head, Executive Director to**

**Michigan House of Representatives Insurance Committee**

**May 14, 2009**

Good morning, Chair Byrum and members of the Committee, Thank you for allowing me to discuss our grave concerns with the legislation proposed here today to deal with Viatical Settlements. I am here as the Executive Director of a small industry association which, nevertheless has grown substantially in recent years due to the very great benefit we have provided to owners of life insurance who no longer wish to retain their ownership. That benefit – when paid out in funds to consumers and through the continued premium paid by our investors on policies which would otherwise lapse or be surrendered - represents billions of dollars in the pockets of consumers over the last few years. I have attached a report of Conning and Company on this issue to my testimony. Other studies indicate that Michigan's market, while not huge, is substantial and I am confident that some of those dollars are in Michigan now, paying for senior long term care, for other better life insurance for seniors, or for other needs and desires of senior consumers. There is no record of complaints in Michigan that would make this a priority for the legislature, but for the complaints of regulated and well protected life insurers.

You have heard testimony from supporters of this legislation and I am here to offer an alternative view. In many other states legislators have generally agreed that this approach of this Bill is not beneficial to consumers and they have moved to less onerous regulation, agreeable to all sides, including the ACLI and our organization. Documentation of that agreement is attached. With the support of the ACLI and with our support, legislation regulating settlements has been passed in such diverse states as Georgia and Washington this year and moved nearly to completion in New York and California. That legislation, based on the Model Act of the National Conference of Insurance legislators, has the support of all parties in these states and others and could be a good model for Michigan.

But HB 4890 is substantially different and, regrettably, we must be opposed to this legislation.

I want to set the record straight about this industry. In 1911, Justice Oliver Wendell Holmes wrote that, entirely outside of its value for death benefit, "Life insurance has become, in our times one of the best recognized means of self-compelled savings. " The decision is attached to my testimony and it makes wonderful cogent reading. In 2009, a hundred years later, it is even more true. Insurers all over America sell life insurance sell the benefits of life insurance, one benefit including savings available for withdrawal at the appropriate time, not just as a benefit for widows and orphans. And consumers buy it, often knowing that the surrender value touted by insurers is going to give them some significant share of their premium dollars back after some years of payment. What is often ignored is that many policies lapse or are surrendered each year after a few or many years of payments. Consumers often get little or nothing. Consumers are often not aware that large surrender charges must be paid if they give up a policy within a few years of getting it. So there is a great need in every state to tell consumers more and to ensure that they know what bundle of rights they are buying when they buy life insurance. In effect, real value accumulates in a life contract only when it has been held for a long time and, even then, the surrender value offered by insurers often does not reflect the real value of the policy. No less an authority than the Chief Actuary of the prominent Northwestern Mutual Life Insurance Company has recognized that consumers will often find that inadequate surrender values drive them "directly to the secondary market".

Sitting here today, listening to me, you may not be aware that your own life insurance policy – or that of your elderly parent – may have much greater value in the secondary market than in place, with years of policy premiums still due and still to be paid until the heirs will – (hopefully and if the family does not run out of money before the final premium is paid) – make a claim. Not surprisingly, so many policies fail to pay a final claim that one national actuary firm has suggested that nearly 90% of all policies ever issued do not result in any claim. People pay hundreds of billions in premiums, but many never see anything but "peace of mind".

This bill, in our view, will keep Michiganders from accessing the real value, which should belong to the consumer, not to the insurer who originally issued the policy. That is why the model on which it is based, from the NAIC, got such harsh treatment from consumer representatives. People have changing needs and – as one prominent insurer advertises – "life comes at you fast". We believe that the option to settle must be ensured and we believe that this bill does much to discourage, confuse and to diminish the capacity of consumers to avail themselves of that secondary market.

Let me just cite a couple of issues – one broad and one narrow as examples of the many changes we see needed for this bill to benefit the people of Michigan:

Throughout the proposal is archaic language originating from the Roman Empire and the medieval church. It has to do with supplies for journeys (Roman) and last rites (the church). This sort of language can only confuse, the public, regulators and even professionals. Go out to the street and ask any passerby what is a "Viator"? You will get blank stares. But if you go out and ask, what is an "Owner", people will know what you are talking about. There is no reason to carry forward arcane language dealing with settlements when plain language will do. I urge that you write laws that the people of Michigan can understand readily, not only with the help of an attorney. The arcane language in this bill should be changed.

On a narrower issue, but as an example of the many details that remain to be worked on in this bill, I offer the following from Page 20 to 22 of the bill:

It says (page 20/Line 25) **BEFORE A VIATICAL SETTLEMENT FACILITOR OR VIATICAL SETTLEMENT PROVIDER SETTLEMENT PROVIDER PRESENTS ANY APPLICATION FOR A VIATICAL SETTLEMENT CONTRACT TO A PROSPECTIVE VIATOR, POLICY OWNER [THEY ARE THE SAME]OR INSURED PERSON [SOMETHING DIFFERENT]FOR SIGNATURE , HE OR SHE SHALL DISCLOSE IN WRITING AT LEAST ALL OF THE FOLLOWING:...** (Page 25/Line 11)***(l)*** **THE DOLLAR AMOUNT OF THE CURRENT DEATH BENEFIT PAYABLE TO THE BENEFICIARY UNDER THE POLICY, THE AVAILABILITY OF ANY ADDITIONAL GUARANTEED INSURANCE BENEFITS, THE DOLLAR AMOUNT OF ANY ACCIDENTAL DEATH AND DISMEMBERMENT BENEFITS UNDER THE POLICY, AND THE EXTENT TO WHICH THE VIATOR OWNER'S INTEREST IN EACH BENEFIT WILL BE TRANSFERRED AS A RESULT OF THE VIATICAL LIFE SETTLEMENT CONTRACT.**

This information cannot be known before the application is filled out and the policy information obtained and analyzed. The cart here is before the horse.

For a number of obvious reasons we are strongly opposed to the provision in the law which attacks the rights of consumers in the first years of policy ownership.

Let me say that you are told – repeatedly – about a problem called "STOLI" or Stranger Originated Life Insurance". Such a phenomenon is NOT part of the Secondary market of life insurance by definition. It involves – according to the recent testimony of the ACLI with which I agree – an "agent" – the legal representative of an insurer, obscure trusts, and the immediate shift of control of the policy, but not necessarily its titling ownership, to persons who were linked to the creation of the policy. It is our view that this is already illegal under Michigan law on insurable interest and that insurers are doing a good job of controlling such behavior by their agents. They say so to their investors. But they are here asking you to take restrict consumer benefits because it benefits them and they think they have a good story.

I note that this bill while purporting to address the STOLI problem with a few provisions , contains a lot of pages (Arizona controlled STOLI with two pages) and goes after many other consumer and business activities, seemingly designed to just slow the settlement industry and put a cloud possible contest over the policies of tens of thousands of Michigan owners of life insurance. It is also seemingly designed, as I mentioned earlier, through its use of arcane verbiage related to rights of passage in the Roman Empire, to confuse the public and to scare them. As I have explained it has many provisions which would just be unworkable in the real world and would tend to drive participants from this market serving seniors in this state, to other sunnier places.

Insurers come before you to say that it is important to pass this bill to stop bad activity that affects – if any – a tiny portion of all policy sales in Michigan. And we agree with them that true STOLI must end. But in the process, supporters of this legislation churn the legitimate practices of a legitimate and beneficial industry into their story of impropriety and doom. "Prices will rise", they say, forgetting that consumer satisfaction may also increase as consumers will get SOMETHING for their hard earned premiums other than a thank you and peace of mind. "People will pay unanticipated taxes", they say, and forget consumers will only pay taxes when they get a big benefit. "People will give up their opportunity to buy new insurance", they say, forgetting that consumers who sell policies are not selling them if they want to keep insurance. In fact, consumers are just finding more money in the secondary market than the insurers will pay on surrender of the same policy. People sell tickets to big games in the secondary market only when they can't attend or don't care about the game, not when they want to go. "People will get scary phone calls", the insurers imagine, with no evidence whatsoever.

In seeking to cast a cloud over the settlement industry, the opponents of this industry say mildly "there are some useful benefits of life settlements", but then go on to create fear and misunderstanding by deliberately manipulating words. Yes, state law does require an "insurable interest" but at "contract", not indefinitely, for reasons that Justice Holmes articulate a hundred years ago. When it is suggested that STOLI "speculators" – and I would sure like to see the names named - have an interest in the early death of insured, how does this differ from an annuity sale which requires an insurer to pay more over time, and less if death occurs quickly? I a NOT a "STOLI Speculator" and I dispute the argument of the ACLI that because we have figured out how to help seniors with their problem of limited assets, we are doing a bad thing. The sales tactics evident in this rhetoric , and efforts to "blur, blur, blur" have marked the efforts of some proponents of bad settlement law for years. And I will say to you frankly, they are not seeking to stop just STOLI, as we are, but are seeking to stop settlements and restrict consumer choice.

The National Association of Insurance Commissioenrs (NAIC), in a deeply flawed process adopted legislation which many of them now recognize did not stop STOLI, but sure slowed settlements. The National Conference of Insurance Legislators REJECTED this flawed effort and – working carefully and with another approach – offered an alternative which provides the structure for good regulation. Some say this bill is a "hybrid of both", but I quote Andy Rooney in saying that "A hybrid is a marriage of two incompatible species".

In Mr. Guerni's testimony last week, he said, and I would repeat, that decision makers are told that no settlement company is originating life insurance and he went on to cite instances to try to prove that this is not so. But he provided no evidence other than a few dramatic stories about instances of insurance origination attempts by agents which were dramatically flawed. How these relate to settlements, I do not know at all.

This bill puts a cloud over any policy sale in the first five years of ownership. But life does come at you fast. In Michigan people know that. The number of people who may want to get to this market and do not even know about it keeps rising. Lapses in early policy years keep rising. But this bill would eliminate the secondary market "pressure release valve" in favor of protecting insurers whose agents sell, sell, and sell, but who do not want any real benefit to flow to a consumer. The hope of some insurers is that consumers will run out of premium money or the will to keep a policy before they die. That, they say is "the business model". A solution which gives consumers a way out of undesirable contracts is not bad. It brings more value to life insurance and – if properly priced – can be a win for all.

We can and will support good legislation wherever possible. We hope you will also, buy revising this potentially beneficial legislation and making it work for consumers, not against their interests.

Thank you for your kind attention to these important issues.

Attachments

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**GRIGSBY v. RUSSELL**

**No. 53**

**SUPREME COURT OF THE UNITED STATES**

222 U.S. 149; 32 S. Ct. 58; 56 L. Ed. 133; 1911 U.S. LEXIS 1837

**Argued November 10, 13, 1911**
**December 4, 1911**

**PRIOR HISTORY:**

CERTIORARI TO THE CIRCUIT COURT OF APPEALS FOR THE SIXTH CIRCUIT

**LAWYERS' EDITION HEADNOTES:** Insurance -- forfeiture for nonpayment of premium -- waiver. --

Headnote:
A condition in a policy of life insurance that it shall be void if premiums are not paid when due means only that it shall be voidable at the option of the company, and a breach of the condition may be waived.
[For other cases, see Insurance, VII. a, in Digest Sup. Ct. 1908.]

Insurance -- assignment of policy -- insurable interest of assignee. --

Headnote:
The holder of a valid policy of insurance upon his own life may, as a matter of financial necessity, make a valid assignment of the policy to a person having no insurable interest in the life of the insured, in consideration of a small sum of money and an undertaking to pay the premiums due and to become due, and the assignee takes the entire interest in the policy, as against the personal representatives of the insured.
[For other cases, see Insurance, X., in Digest Sup. Ct. 1908.]

Insurance -- assignment of policy -- insurable interest of assignee. --

Headnote:
A clause in a policy of life insurance that any claim against the company arising under any assignment of the policy shall be subject to proof of interest does not diminish the rights of an assignee

with no insurable interest, as against the personal representatives of the insured, if there is no rule of law to that effect, and the company sees fit to pay.
[For other cases, see Insurance, X., in Digest Sup. Ct. 1908.]

**SYLLABUS:**

A condition in an insurance policy that it shall be void for non-payment of premiums means only that it shall be voidable at option of the company.

The rule of public policy that forbids the taking out of insurance by one on the life of another in which he has no insurable interest does not apply to the assignment by the insured of a perfectly valid policy to one not having an insurable interest.

In this case, held, that the assignment by the insured of a perfectly valid policy to one not having any insurable interest but who paid a consideration therefor and afterwards paid the premiums thereon was valid and the assignee was entitled to the proceeds from the insurance company as against the heirs of the deceased.

A valid policy of insurance is not avoided by a cessation of insurable interest even as against the insurer unless so provided by the policy itself. Conn. Mut. Ins. Co. v. Schaefer, 94 U.S. 457; Warnock v. Davis, 104 U.S. 755, distinguished.

Where there is no rule of law against paying to an assignee who has no insurable interest in the life of the insured, and the company waives a clause in the policy requiring proof of interest, the rights of the assignee are not diminished by such clause as against the insured's administrator.

Even though a court below might hesitate to decide against language of this court referring to a debated point, if there has been no direct decision this court is not precluded by such references when the point is actually before it.
168 Fed. Rep. 577, reversed.

THE facts are stated in the opinion.

**COUNSEL:**

Mr. Montague S. Ross and Mr. Jno. A. Pitts, with whom Mr. K. T. McConnico was on the brief, for petitioner:

A life insurance policy, taken out in good faith by the insured, with no idea of assigning it, payable to his "executor, administrator or assigns," can afterwards, in good faith, and for a valuable consideration, with the knowledge and assent of the insurer, be sold and assigned to one who has no insurable interest in the life of the insured; and such assignee, after he had bought a policy, taking an absolute assignment thereof, and in good faith, with the knowledge and consent of the company, pays the subsequent premiums, acquires the right to collect the proceeds of the policy at maturity.

The conflicting decisions upon this question have given rise to two general rules, termed respectively by judges and text-writers: (a) The "prevailing" or "majority" rule, holding such assignments valid, and (b) the "minority" rule holding them void.

This court has not as yet directly decided this question, but its decisions on similar questions have been differently construed in the various circuits. The Eighth Circuit has endorsed the majority, and the Fifth and Sixth Circuits, the minority rule. Gordon v. Ware National Bank, 132 Fed.

Rep. 444, 450; Alexander v. Lane, 157 Fed. Rep. 1002; Clark v. Equitable Life Ass. Soc., 143 Fed. Rep. 176.

There are also conflicting views of other courts and of text-writers with respect to the trend of the decisions of this court: see in Clark v. Allen, 11 R.I. 439, action was for money had and received by the widow of an insured against an assignee of the policy, the assignee having collected the money from the insurance company under the assignment; Chamberlain v. Butler, 54 L.R.A. 338; Bursinger v. Bank of Watertown, 67 Wisconsin, 76; Fitzpatrick v. Insurance Co., 56 Connecticut, 116; Amick v. Butler, 111 Indiana, 578; Insurance Co. v. Hazard, 41 Indiana, 116; Insurance Co. v. Brown, 159 Indiana, 644; Hardy v. Insurance Co., 152 No. Car. 286.

The following text-writers and annotators treat or cite the decisions of this court as favoring the "majority" rule: Bacon on Benefit Societies and Life Insurance, 2d ed., § 302; 2 Joyce on Insurance, § § 914-919; Am. & Eng. Encyc. of Law, 2d ed., 1025; May on Insurance (ed. 1891), § 398a; 25 Cyc. Law & Procedure, 709; Crosswell v. Insurance Co., 51 So. Car. 103; Merchants' Nat. Bank v. Comins (N.H.), 101 Am. St. Reps. 657; Steinback v. Diepenbrock, 44 L.R.A. 417. See also note to 87 Am. St. Reps. 507.

The cases in this court that have been heretofore invoked by either side are, in chronological order, as follows: Cammack v. Lewis, 15 Wall. 643; Conn. Mut. Ins. Co. v. Schaefer, 94 U.S. 457; AEtna Life Ins. Co. v. France, 94 U.S. 561; Warnock v. Davis, 104 U.S. 775; New York Mutual Life Ins. Co. v. Armstrong, 117 U.S. 597; Crotty v. Insurance Co., 144 U.S. 621.

This court is either already committed to the "majority" rule or else has never taken any definite position upon the single sharp question presented in the case at bar. The general weight of authority is that a decided majority of the state courts uphold such assignments.

Only the States of Kansas, Alabama, Texas and Kentucky now stand clearly and unequivocally on the side of the "minority" rule. The State of Missouri is doubtful, the decisions seeming to point both ways, with possibly the stronger tendency to the "minority" rule.

On the other hand, England, Canada, Nova Scotia, New Brunswick, Arkansas, California, Colorado, Connecticut, Georgia, Illinois, Indiana, Iowa, Louisiana, Massachusetts, Maryland, Michigan, Minnesota, Mississippi, Nebraska, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Ohio, Oregon, Rennsylvania, Rhode Island, South Carolina, Tennessee, Vermont, Virginia, and Wisconsin are unquestionably arrayed on the side of the "majority" rule. And if we correctly construe the decisions and expressions of this great court, the United States Supreme Court is also committed to that rule.

Four, and possibly five, States sustain the "minority" rule, and the United States Supreme Court, twenty-nine States, England, Canada, Nova Scotia, and New Brunswick support the "majority" rule. The following cases will amply bear out the statement. New York Mutual Life Ins. Co. v. Armstrong, 117 U.S. 591; AEtna Life Ins. Co. v. Grant, 94 U.S. 561; AEtna Life Ins. Co. v. Schaefer, 94 U.S. 457; Insurance Co. v. Bailey, 13 Wall. 616; Murphy v. Red, 64 Mississippi, 614; Steinback v. Diepenbrock, 158 N.Y. 24; Olmstead v. Keyes, 85 N.Y. 593; Valton v. Nat. L. Fund Assn., 40 N.Y. 21; St. John v. Am. Mut. Life Ins. Co., 13 N.Y. 31; Chamberlain v. Butler, 61 Nebraska, 730; Fitzpatrick v. Hartford &c. Ins. Co., 56 Connecticut, 116; Bursinger v. Bank of Watertown, 67 Wisconsin, 76; Clark v. Allen, 11 R.I. 439; Crosswell v. Conn. Indemnity Assn., 51 So. Car. 103; Rylander v. Allen, 125 Georgia, 206; A.O.U.W. v. Brown, 112 Georgia, 545; Matlock v. Bledsoe, 90 S.W. Rep. 849; Mechanics' Nat. Bank v. Comins, 77 N.H. 12; Mut. L. Ins. Co. v. Allen, 138 Massachusetts, 564; King v. Crane, 185 Massachusetts, 103; Brown v. Greenfield Life Assn., 172 Massachusetts, 498; Dixon v. Nat. Life Ins. Co., 168 Massachusetts, 48; Tateum v. Ross, 150 Massachusetts, 440; Hurst v. Robinson, 78 Maryland, 67; Rittler v. Smith, 70 Maryland, 261; Souder v. Home Friendly Soc., 72 Maryland, 511; Hardy v. Insurance Co., 152 No. Car. 286; Eckel v. Renner, 41 Oh. St. 232; Vivar v. Knights Pythias, 52 N.J.L. 455, 469; Trenton Mut. L. Ins. Co. v. Johnson, 24 N.J.L. 576, 585; Brown v. Equitable Life, 75 Minnesota, 412; Hogue v. Minn. Packing Co., 59 Minnesota, 39; Martin v. Stubbins, 126 Illinois, 387; Bloomington M.B. Assn. v. Blue, 120 Illinois, 121; Moore v. Chicago Guar. Fund Life, 178 Illinois, 202, 52 N.E. Rep. 882; Givens v. Veeder, 9 N. Mex. 256; Harrison's Admr. v. Ins. Co., 78 Vermont, 473; Lewis' Admr. v. Edwards (Tenn.), Mss., Nashville, Dec. Term, 1903; Davis v. Brown, 159 Indiana, 644; Millner v. Bowman, 119 Indiana, 440; Amick v. Butler, 111 Indiana, 578; Hutson v. Merrifield, 51 Indiana, 24; Wheeland v. Atwood, 192 Pa. St. 237; Ulreich v. Reinahl, 143 Pa. St. 238; Grant v. Kline, 115 Pa. St. 618; Fairchild v. N.E.M.L. Ins. Co., 51 Vermont, 613; Hearings' Suc., 26 La. Ann. 326; Suc. of Miller v. Manhattan Ins. Co., 110 La. Ann. 654; Stewart v. Sutcliffe, 46 La. Ann. 240; Prud. Ins. Co. v. Liersch, 122 Michigan, 436; Sheets v. Sheets, Colo. App. 450; 36 Pac. Rep. 310; Lemon v. Phoenix Mut. L. Ins. Co., 38 Connecticut, 294; Farmers & Traders' Bank v. Johnson, 118 Iowa, 282; Curtis v. AEtna L. Ins. Co., 90 California, 255; McFarland, Adm'r, v. Creath, 35 Mo. App. 112, 121; Ins. Co. v. Hamilton, 5 Sneed (Tenn.), 269; Ashley v. Ashley, 3 Sim. 149; 6 Eng. Chy. Rep. 149; Dalby v. India & London Policy Co., 15 C.B. 365, and note; Law v. London Policy Co., 1 Kay & J. 223; Vazina v. N.Y.L. Ins. Co., 6 Can. S.C. 278; N. Am L. Assur. Co. v. Craigen, 13 Can. S.C. 278; 18 Novia Scotia, 440; Mut. L. Assur. Co. v. Anderson, 1 N. Bruns. Eq. Rep. 466; Brett v. Warnick, 44 Oregon, 511; Cunningham v. Smith, 70 Pa. St. 450.

In Virginia the question has been regulated by ch. 180, approved April 27, 1903.

Mr. George T. Hughes for respondents:

The rule contended for by the plaintiff allows the contract to be set afloat on the sea of commerce; the one contended for by respondent keeps it under the control of the assured and allows it to be used only as a security for sums advanced, thus taking away the temptation to evil, and holding out to the assured the possibility and hope of redeeming his contract.

For cases holding that a policy cannot be assigned to one having no insurable interest, see Chamberlain v. Butler, 87 Am. St. Rep. 508, and note in 3 L.R.A. (N.S.) 953; and see also: Ala. Gold Ins. Co. v. Mobile Ins. Co., 81 Alabama, 321; Helmetag v. Miller, 76 Alabama, 183; Missouri Valley Ins. Co. v. Sturges, 18 Kansas, 93; Mo. Valley Ins. Co. v. McCuen, 31 Kansas, 146; Basye v. Adams, 81 Kentucky, 308; Beard v. Sharp, 100 Kentucky, 606; Brumly v. Ins. Co., 92 S.W. Rep. 17; Huesner v. Ins. Co; 47 Mo. App. 336; Ins. Co. v. Richards, 99 Mo. App. 88; Downey v. Hoffer, 110 Pa. St. 109; Ins. Co. v. Norris, 115 Pa. St. 446; Gilbert v. Moose, 104 Pa. St. 74; Hoffman v. Hoke, 122 Pa. St. 377; Price v. Knights of Honor, 68 Texas, 361; Insurance Co. v. Hazlewood, 75 Texas, 338; Wilton v. Ins. Co., 34 Tex. Civ. App. 156; Tate v. Ins. Co., 97 Virginia, 74; Roller v. Moore, 86 Virginia, 512.

**OPINIONBY:**

HOLMES

**OPINION:**

[*154] [**58] [***136] MR. JUSTICE HOLMES delivered the opinion of the court.

This is a bill of interpleader brought by an insurance company to determine whether a policy of insurance issued to John C. Burchard, now deceased, upon his life, shall be paid to his administrators or to an assignee, the company having turned the amount into court. The material facts are that after he had paid two premiums and a third was overdue, Burchard, being in want and needing money for a surgical operation, asked Dr. Grigsby to buy the policy and sold it to him in consideration of one hundred dollars and Grigsby's undertaking to pay the premiums due or to become due; and that Grigsby had no interest in the life of the assured. The Circuit Court of Appeals in deference to some intimations of this court held the assignment valid only to the extent of the money actually given for it and the premiums subsequently paid. 168 Fed. Rep. 577, 94 C.C.A. 61.

Of course the ground suggested for denying the validity of an assignment to a person having no interest in the life insured is the public policy that refuses to allow insurance to be taken out by such persons in the first place. A contract of insurance upon a life in which the insured has no interest is a pure wager that gives the insured a sinister counter interest in having the life come to an end. And [*155] although that counter interest always exists, as early was emphasized for England in the famous case of Waine-wright (Janus Weathercock), the chance that in some cases it may prove a sufficient motive for crime is greatly enhanced if the whole world of the unscrupulous are free to bet on what life they choose. The very meaning of an insurable interest is an interest in having the life continue and so one that is opposed to crime. And, what perhaps is more important, the existence of such an interest makes a roughly selected class of persons who by their general relations with the person whose life is insured are less likely than criminals at large to attempt to compass his death.

But when the question arises upon an assignment it is assumed that the objection to the insurance as a wager is out of the case. In the present instance the policy was perfectly good. There was a faint suggestion in argument that it had become void by the failure of Burchard to pay the third [***137] premium ad diem, and that when Grigsby paid he was making a new contract. But a condition in a policy that it shall be void if premiums are not paid when due, means only that it shall be voidable at the option of the company. Knickerbocker Life Insurance Company v. Norton, 96 U.S. 234; Oakes v. Manufacturers' Fire & Marine Ins. Co., 135 Massachusetts, 248. [**59] The company waived the breach, if there was one, and the original contract with Burchard remained on foot. No question as to the character of that contract is before us. It has been performed and the money is in court. But this being so, not only does the objection to wagers disappear, but also the principle of public policy referred to, at least in its most convincing form. The danger that might arise from a general license to all to insure whom they like does not exist. Obviously it is a very different thing from granting such a general license, to allow the holder of a valid insurance upon his own life to transfer it to one whom he, the party most concerned, is not afraid to trust. The law has no [*156] universal cynic fear of the temptation opened by a pecuniary benefit accruing upon a death. It shows no prejudice against remainders after life estates, even by the rule in Shelley's Case. Indeed, the ground of the objection to life insurance without interest in the earlier English cases was not the temptation to murder but the fact that such wagers came to be regarded as a mischievous kind of gaming. St. 14 George III, c. 48.

On the other hand, life insurance has become in our days one of the best recognized forms of investment and selfcompelled saving. So far as reasonable safety permits, it is desirable to give to life policies the ordinary characteristics of property. This is recognized by the Bankruptcy Law, § 70, which provides that unless the cash surrender value of a policy like the one before us is secured to the trustee within thirty days after it has been stated the policy shall pass to the trustee as assets. Of course the trustee may have no interest in the bankrupt's life. To deny the right to sell except to persons having such an interest is to diminish appreciably the value of the contract in the owner's hands.The collateral difficulty that arose from regarding life insurance as a contract of indemnity only, Godsall v. Boldero, 9 East, 72, long has disappeared. Phoenix Mutual Life Ins. Co. v. Bailey, 13 Wall. 616. And cases in which a person having an interest lends himself to one without any as a cloak to what is in its inception a wager have no similarity to those where an honest contract is sold in good faith.

Coming to the authorities in this court, it is true that there are intimations in favor of the result come to by the Circuit Court of Appeals. But the case in which the strongest of them occur was one of the type just referred to, the policy having been taken out for the purpose of allowing a stranger association to pay the premiums and receive the greater part of the benefit, and having been assigned to it at once. Warnock v. Davis, 104 U.S. 775. [*157] On the other hand it has been decided that a valid policy is not avoided by the cessation of the insurable interest, even as against the insurer, unless so provided by the policy itself. Connecticut Mutual Life Ins. Co. v. Schaefer, 94 U.S. 457. And expressions more or less in favor of the doctrine that we adopt are to be found also in AEtna Life Ins. Co. v. Co. v. France, 94 U.S. 561. Mutual Life Ins. Co. v. Armstrong, 117 U.S. 591. It is enough to say that while the court below might hesitate to decide against the language of Warnock v. Davis, there has been no decision that precludes us from exercising our own judgment upon this much debated point. It is at least satisfactory to learn from the decision below that in Tennessee, where this assignment was made, although there has been much division of opinion, the Supreme Court of that State came to the conclusion that we adopt, in an unreported case, Lewis v. Edwards, December 14, 1903. The law in England and the preponderance of decisions in our state courts are on the same side.

Some reference was made to a clause in the policy that "any claim against the company arising under any assignment of the policy shall be subject to proof of interest." But it rightly was assumed below that if there was no rule of law to that effect and the company saw fit to pay, the clause did not diminish the rights of Grigsby as against the administrators of Burchard's estate.

Decree reversed.

MR. JUSTICE LURTON took no part in the decision of this case.

CONNING

# Press Releases

10/ 08/ 2008

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## Life Settlements - New Challenges to Growth

***Conning Research: Strong Growth for Life Settlements in 2007 and Favorable Forecast through 2010***

***Estimate of $12 billion of U.S. life insurance face values settled in 2007***

(Hartford, CT) October 8, 2008- The life settlements market picked up steam in 2007 posting the strongest growth since 2005, according to a new study by Conning Research and Consulting, Inc.

"A combination of factors caused strong growth in the United States life settlements market in 2007 and is fueling our expectations for market growth through 2010," said Scott Hawkins, analyst at Conning Research & Consulting. "First was the continued influx of capital as institutional investors sought non-correlated investment opportunities. At the same time, we noted growing participation of smaller investors in life settlements mutual funds. Finally, demand increased among some consumers to access their life insurance equity to meet financial needs caused by the combination of a credit crunch and poor economy."

The Conning Research study, "Life Settlements: New Challenges to Growth," presents Conning's estimates of current market size and growth rate, as well as a long term forecast and analysis of market conditions.

"Looking longer term, there are factors countering the positive market indications for life settlements, one of which is the development of alternatives to traditional life settlements, including synthetics and extra-contractual loans," said Stephan Christiansen, director of research at Conning. "Also, the tightened credit markets are reducing the ability of some investors to finance their portfolios. In addition to these issues, there is a continued concern among investors about the accuracy of life expectancy estimates on some early life settlements transactions. So with the maturation of the life settlements market come market complexity and countervailing challenges to its historic rate of growth."

"Life Settlements: New Challenges to Growth" is available for purchase from Conning Research & Consulting, Inc., by calling (888) 707-1177 or by visiting the company's web site at www.conningresearch.com.

**About Conning Research & Consulting, Inc.**
Conning Research & Consulting provides insurance industry analysis to insurers and industry stakeholders. Its published research includes market coverage of 30 segments of the industry in addition to industry forecasting and identification and analysis of major strategic issues. Conning Research & Consulting understands insurance industry challenges and opportunities and provides in-depth analyses on a wide range of industry products and issues. The Conning name has represented excellence in independent insurance industry research for 50 years. Conning Research & Consulting is a division of Conning, a provider of asset management and insurance industry research and consulting services to insurers. Conning is headquartered in Hartford, CT.

# Value Created - State Breakdown Analysis

THE PENINSULA GROUP LLC

The table below shows a simple breakdown of select figures by state. Please note that 26 cases (out of the 1000 contributed) did not include state information and are therefore omitted from the sample shown. The *Value Created* colums illustrate the difference between *offer amounts* and *cash surrender values* at the time of settlement. It is important to keep in mind that these figures are subject to irregularity due to the large variance in sample sizes between states.

| | | Face Value | | Value Created | | |
|---|---|---|---|---|---|---|
| State | # of Cases | Total | Average | Total | Average | Average as % of FV |
| NY | 222 | $475,027,661 | $2,139,764 | $97,873,360 | $440,871 | 20.6% |
| CA | 179 | $427,098,891 | $2,386,027 | $93,906,401 | $524,617 | 22.0% |
| NJ | 64 | $126,843,333 | $1,981,927 | $24,062,412 | $375,975 | 19.0% |
| AZ | 47 | $60,028,823 | $1,277,209 | $10,808,598 | $229,970 | 18.0% |
| OH | 46 | $102,827,456 | $2,235,379 | $18,036,514 | $392,098 | 17.5% |
| IL | 45 | $81,238,918 | $1,805,309 | $17,523,859 | $389,419 | 21.6% |
| CT | 39 | $55,405,007 | $1,458,027 | $11,102,715 | $284,685 | 19.5% |
| FL | 34 | $68,937,357 | $2,027,569 | $10,415,305 | $306,332 | 15.1% |
| PA | 30 | $54,578,552 | $1,819,285 | $11,416,671 | $380,556 | 20.9% |
| TX | 28 | $30,346,117 | $1,083,790 | $6,601,239 | $235,759 | 21.8% |
| DE | 28 | $116,179,278 | $4,149,260 | $26,401,072 | $942,895 | 22.7% |
| MI | 23 | $34,434,140 | $1,497,137 | $8,231,486 | $357,891 | 23.9% |
| KY | 17 | $56,450,000 | $3,320,588 | $7,638,138 | $449,302 | 13.5% |
| MN | 15 | $22,890,000 | $1,526,000 | $4,194,914 | $279,661 | 18.3% |
| MA | 15 | $47,293,626 | $3,152,908 | $12,627,908 | $841,861 | 26.7% |
| NC | 13 | $16,411,400 | $1,262,415 | $3,402,439 | $261,726 | 20.7% |
| GA | 13 | $29,750,000 | $2,288,462 | $8,598,998 | $661,461 | 28.9% |
| OR | 10 | $8,000,000 | $800,000 | $2,067,000 | $206,700 | 25.8% |
| MD | 10 | $12,452,000 | $1,245,200 | $2,653,653 | $265,365 | 21.3% |
| CO | 9 | $8,400,000 | $933,333 | $1,775,157 | $197,240 | 21.1% |
| MO | 8 | $21,725,042 | $2,715,630 | $3,996,901 | $499,613 | 18.4% |
| WI | 7 | $6,463,000 | $923,286 | $1,644,202 | $234,886 | 25.4% |
| VA | 7 | $6,340,559 | $905,794 | $1,414,988 | $202,141 | 22.3% |
| IA | 7 | $12,600,000 | $1,800,000 | $1,857,120 | $265,303 | 14.7% |
| WA | 6 | $7,250,000 | $1,208,333 | $1,895,841 | $315,973 | 26.1% |
| UT | 6 | $76,000,000 | $12,666,667 | $13,152,075 | $2,192,013 | 17.3% |
| SC | 6 | $8,200,000 | $1,366,667 | $2,826,400 | $471,067 | 34.5% |
| IN | 6 | $15,270,000 | $2,545,000 | $3,226,603 | $537,767 | 21.1% |
| HI | 5 | $6,995,700 | $1,399,140 | $1,437,714 | $287,543 | 20.6% |
| AL | 5 | $3,976,741 | $795,348 | $917,775 | $183,555 | 23.1% |
| LA | 4 | $2,823,707 | $705,927 | $469,271 | $117,318 | 16.6% |
| TN | 3 | $14,000,000 | $4,666,667 | $1,876,956 | $625,652 | 13.4% |
| NV | 3 | $15,500,000 | $5,166,667 | $4,934,946 | $1,644,982 | 31.8% |
| AR | 3 | $8,600,000 | $2,866,667 | $970,308 | $323,436 | 11.3% |
| WY | 2 | $1,302,000 | $651,000 | $417,960 | $208,980 | 32.1% |
| RI | 2 | $2,500,000 | $1,250,000 | $447,500 | $223,750 | 17.9% |
| NM | 2 | $2,500,000 | $1,250,000 | $477,500 | $238,750 | 19.1% |
| KS | 2 | $2,000,000 | $1,000,000 | $473,998 | $236,999 | 23.7% |
| NH | 1 | $2,400,000 | $2,400,000 | $761,099 | $761,099 | 31.7% |
| MS | 1 | $500,000 | $500,000 | $92,500 | $92,500 | 18.5% |
| DC | 1 | $2,000,000 | $2,000,000 | $199,025 | $199,025 | 10.0% |

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February 19, 2004

Mr. Alan S. Lurty
Vice President, Finance
Coventry Financial, LLC
7111 Valley Green Road
Fort Washington, PA 19034-2209

Dear Al:

As Coventry requested, Milliman USA has updated our earlier analysis of the expected number of life insurance policyholders who eventually die while the life insurance is inforce, such that a death benefit claim is made. In updating this analysis, we have developed expectations for policies issued across a range of ages, as well as results for policies issued only at age 65. The statistics for age 65 are a subset of the exposure considered in the "all ages" analysis, as well as being examined separately.

As you know, Milliman originally searched for pre-existing statistics in this area, and concluded that such data is not generally available.

To address this question, Milliman created projection models, separately for term insurance and universal life, which generated future deaths under a set of assumptions felt to be representative of actual recent experience. Those assumptions are shown in Appendix 1.

As expected, future death claims are heavily influenced by the level of future lapsation. Mortality was assumed to be defined by a level percentage of the 1975-80 Select and Ultimate Table, which implicitly assumes that future mortality improvement due to medical advances, etc. is offset by mortality deterioration caused by anti-selective lapses.

Based upon the assumptions shown in Appendix 1, our analysis shows that 14.6% of term life policies issued end with a death claim, and 12.3% of universal life end with a death claim. When the analysis is restricted to issue age 65, we estimate that 25.7% of term life policies issued end with a death claim. The corresponding figure for universal life policies issued at age 65 is 23.6%.

* * * * *

We are aware that Coventry plans to share this information with other parties. We grant permission for further distribution provided that any dissemination of the statistics described in this letter is couched in language similar to the following:

*"Using recent industry levels of mortality and lapse experience, nearly 88% of universal life policies issued in the United States ultimately do not terminate with the payment of a death claim, according to Milliman USA, a leading actuarial consulting firm. By way of comparison, over 85% of term policies issued in the U.S. fail to result in a death claim. For policies issued to seniors, aged 65, the corresponding percentages of non-claim paying contracts are 76% for universal life and 74% for term insurance."*

* * * * *

Please let me know of any questions or comments on the above analysis.

Cordially,

Tim C Pfeifer

Timothy C. Pfeifer, F.S.A.
Consulting Actuary & Principal

TCP:gr

cc: Nancy Winings
Steve Boger

# NCOIL

National Conference of Insurance Legislators

*...for the states*



November 26, 2008

Honorable Sandy Praeger, Commissioner
Kansas Insurance Department
420 S. W. 9th Street
Topeka, Kansas 66612-1678

Dear President Praeger:

As Officers of the National Conference of Insurance Legislators (NCOIL), we write to you regarding what NCOIL members consider an inappropriate description of certain life settlement bills being brought forward, and enacted, across the states.

At our recent November 19 through 23 Annual Meeting, it was brought to our attention that an NAIC Midwest Zone Viatical Settlements Training Meeting included an agenda item entitled *My State Just Adopted the New NAIC/NCOIL Model – Now What Do I Do?* Though perhaps inadvertently phrased, we believe that any reference to a joint or combined model bill is misleading.

We would respectfully request that the NAIC refrain from using terminology including "New NAIC/NCOIL Model" in its publications, meeting materials, or other official documents. State legislators, regulators, and consumers may find such language confusing as it signals that our organizations have developed a single proposal to regulate life settlements.

NCOIL, as you know, spent more than 35 hours over 16 months debating amendments to the NCOIL *Life Settlements Model Act*. Our model act includes a first-of-its-kind definition of stranger-originated life insurance (STOLI), a strong penalty section for participating in STOLI, and extensive disclosure requirements, among other things. During our deliberations we heard from all interested parties including certain state insurance regulators, state securities regulators, and representatives of the life insurance, life settlement, and premium finance industries.

NCOIL legislators reviewed the NAIC *Viatical Settlements Model Act* at the beginning of our process. We rejected the NAIC call for a five-year ban on a policyholder's ability to settle a policy and ultimately supported a model that protects existing individual property rights while also providing tools to substantially eliminate STOLI schemes.

NCOIL develops model legislation to provide our legislative colleagues with a framework to pursue sound public policy. We recognize that in a few cases certain states have adopted life settlements legislation that included provisions from our model and the NAIC bill. However, our organizations have not developed a joint bill, despite a March 2007 NCOIL request that the NAIC delay final action on its model act and continue a dialogue with legislators, and the fundamental elements of the proposals are drastically different.

NCOIL, therefore, is adamant that the NAIC refrain from any suggestion that the NCOIL model is compatible with the NAIC model—as we have not in any way endorsed the concept of a combined model or certain provisions included in the NAIC model.

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We look forward to discussing this issue at the upcoming NAIC National Meeting. Please feel free to contact NCOIL staff at 202-220-3014 should you have any questions.

Thank you for your time and consideration on this matter.

Sincerely,

James L. Seward

Sen. James Seward (NY)
NCOIL President

Robert R. Damron

Rep. Robert Damron (KY)
NCOIL President-Elect

George Keiser

Rep. George Keiser (ND)
NCOIL Vice President

Carroll H Leavell

Sen. Carroll Leavell (NM)
NCOIL Secretary

Vi Simpson

Sen. Vi Simpson (IN)
NCOIL Treasurer

cc: Roger Sevigny, NAIC President-Elect
Jane Cline, NAIC Vice President
Susan Voss, NAIC Secretary-Treasurer
NCOIL Executive Committee
State Insurance Committee Chairs

# ACLI NEWS RELEASE

**Wednesday, September 03, 2008**

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## Nation's Largest State Passes Bill To Protect Seniors From Growing Scam

Governor's Signature Would Make California 13th State to Approve Anti-STOLI Legislation

**Washington, D.C. (Sept. 3, 2008) -** The battle against a growing misuse of life insurance that could potentially harm countless senior citizens took a major step forward when the largest state in the nation approved legislation that will help deter abusive transactions.

California Senate Bill 1543, which was approved Aug. 29 by the legislature, targets stranger-originated life insurance (STOLI), a growing national scandal in which financial speculators such as hedge funds help induce senior citizens to purchase life insurance solely to transfer the death benefits to the speculators. The speculators hope to profit by collecting the death benefits when the seniors die, and the sooner they die, the higher the profit.

Seniors caught up in these schemes can face a multitude of potential problems, including unexpected taxes, loss of privacy, loss of eligibility for government entitlement programs and legal liability.

"STOLI is an ugly and twisted transaction that undermines the integrity of the life insurance marketplace. We are very happy the legislature has approved a bill to give the California Insurance Department better tools to detect and crackdown on abusive STOLI transactions. If signed into law, California will be the 13th state to take action to protect its senior citizens from the speculators whose only interest in them is their early death," said Frank Keating, president and CEO of the American Council of Life Insurers.

S.B. 1543 is based on a model law developed by the National Conference of Insurance Legislators (NCOIL), which is the association of state representatives and senators with insurance oversight responsibilities. S.B. 1543 establishes a statutory definition of STOLI and classifies it as a fraudulent act. It also allows the California Insurance Department to collect information from life settlement providers that will help it monitor the market and identify STOLI.

The legislature rejected an amendment which would have permitted premium financing arrangements that are characteristic of STOLI. The legislature held firm in favor of consumer protection by saying "no" to STOLI financing schemes.

"NAIFA's membership is very pleased with the California anti-STOLI legislation," said Jeffrey J. Taggart, CLU, ChFC, LUTCF, president of the National Association of Insurance and Financial Advisors (NAIFA). "Sen. Machado has been a forceful and untiring advocate for legislation deterring STOLI and he deserves the thanks of all California seniors, as well as the professional insurance agent community."

"It is hard to overstate the importance of California legislation addressing STOLI. As advocates for top-producing life insurance agents, the Association for Advanced Life Underwriting (AALU) supports state legislation to protect agents and clients by trying to prevent stranger-originated life insurance without impairing legitimate uses of life insurance and life settlements. Because of the courage and determination of California legislators, the most populous state will have new tools dedicated to this goal," added David Stertzer, CEO of AALU.

"A remarkable coalition emerged on behalf of S.B. 1543. We were joined by major consumer groups, such as the American Association of Retired Persons (AARP), as well as leaders in the life settlement industry in support of vital legislation to protect senior citizens from unscrupulous STOLI schemes. We urge Governor Arnold Schwarzenegger to sign S.B. 1543 into law to provide California seniors the peace of mind they deserve," said Brad Wenger, CEO of the Association of California Life and Health Insurance Companies (ACLHIC).

###

**About AALU: Founded in 1957, the Association for Advanced Life Underwriting (AALU) is a professional trade association representing 2,000 life insurance agents and financial advisors nationwide. Most members are engaged in complex uses of life insurance such as in business continuation planning, estate planning, charitable planning, retirement planning, deferred compensation and employee benefit planning. The mission of AALU is to promote, preserve and protect advanced life insurance planning for the benefit of its members, their clients, the industry and the general public. AALU's website can be accessed at www.aalu.org.**

**About ACLHIC: For over 45 years, the Association of California Life and Health Insurance Companies has been the industry's primary voice in Sacramento. Founded in 1962, by**

**Occidental, Pacific Mutual and Cal-West life insurance companies, ACLHIC began as the Association of California Life Insurance Companies (ACLIC) with an Executive Vice President, Lewis Keller; a secretary and a small office in Oakland. In 1995, the association's name was changed to the Association of California Life and Health Insurance Companies (ACLHIC), reflecting the increased attention paid to health and disability insurance issues. From the start, ACLHIC's main goals have been to advance the interests and well-being of the life and health insurance industry before legislative and administrative bodies. Because trust has been established over the years, legislators know the industry appreciates the broader public policy concerns, and the industry can be reassured that policy makers are less likely to impose arbitrary or discriminatory prohibitions. Visit ACLHIC's website at www.aclhic.com.**

**About ACLI: The American Council of Life Insurers (ACLI) is a Washington, D.C.-based trade association whose 353 member companies account for 93 percent of the life insurance industry's total assets in the United States, 93 percent of life insurance premiums and 94 percent of annuity considerations. In addition to life insurance and annuities, ACLI member companies offer pensions, including 401(k)s, long-term care insurance, disability income insurance and other retirement and financial protection products, as well as reinsurance. ACLI's public Web site can be accessed at www.acli.com.**

**About NAIFA: Founded in 1890 as the National Association of Life Underwriters, the National Association of Insurance and Financial Advisors comprises nearly 800 state and local associations representing the business interests of 60,000 members nationwide. Members focus their practices on one or more of the following: life insurance and annuities, health insurance and employee benefits, multiline, and financial advising and investments. NAIFA's mission is to advocate for a positive legislative and regulatory environment, enhance business and professional skills, and promote the ethical conduct of its members. Visit NAIFA's website at www.naifa.org.**

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Lee Allen, NAIFA, 703-770-8112

## CARRIERS STATEMENTS ABOUT STRANGER-ORIGINATED LIFE INSURANCE

Insurers' agitated claims to public policymakers about the depth and breadth of the problem of STOLI are countered by their own public statements to their shareowners and others. As evidenced by the following avalanche of public statements, many of the largest life insurance carriers have identified that STOLI was being generated by their own agents and that they have been able to control – and even eliminate – STOLI through enforcement of existing laws by employing more due diligence at the time of policy application:

- "We really believe that we avoided the worst of the stranger owned life insurance sales bonanza that went on in this industry. And I think one reason for that is we just never hooked up with the distributors that were leading the way on that. And when we did identify people that we thought were trying to sneak some of the [STOLI] business in during the middle of the night on us, we would deal with it and we still are dealing with it. We never open the door and encourage that kind of business. And I think it really goes back to the quality of the people that sell our products." Johnny Johns, Chairman and Chief Executive Officer, Protective Life (March 11, 2009).

- "I assume you're referring to IOLI/STOLI on universal life. Number one, just to give you some context -- if you look at our business mix today, our in force business mix, less than 5% is in the target range for an age group for a life settlement. So from that perspective we feel very good. In terms of new business we do a number of things. First of all, we do frequent audits to see what's coming in. The second thing is that we're adding a question to our application and we're reviewing our trust agreements because this is usually where you pick it up. And we have also told our distribution partners that we do not want the IOLI/STOLI business. (Genworth Financial EVP at Wachovia Securities CEO Summit, est. June 26, 2007)

- With respect to market conditions and IOLI and SOLI, we did see, in the first quarter, a little more aggressiveness on the part of distribution in trying to move that type of product through. We continued to put up filters, both on the distribution side and the manufacturing side. I think it has backed off quite substantially in the last quarter. I think our success is a combination of factors -- great products, great distribution, great underwriting. (Lincoln National CEO, Q2 2007 Lincoln National Earnings Conference Call published August 1, 2007.)

- "[W]e've put up some great screens, we think we have a good idea of where that business is being produced." (Nationwide Sr. VP at 32nd AIFA conference, March 2007.)

- "[M]any of our competitors are following in our footsteps as evidenced by -- if you look at total life sales for the industry, what you would see is that it really started off with a bang and ended with kind of a whimper.... And so what you can see is that many of our competitors are getting out of this business and we can actually see a time possibly a year from now when there is no more IOLI business. So we see the market is coming back to us over time, and we are going to continue to stick to strong fundamentals of the business and doing the business in the right way." (MetLife Chief Admin. Officer, Q4 2006 earnings call; February 14, 2007.)

- "[W]e greatly strengthened our measures to eliminate the IOLI cases coming through that we all want to prevent from issuing." (John Hancock CEO, Q4 2006 earnings call; February 13, 2007.)

- "As we discussed at our investor day, in the latter half of 2006 you began to see the industry tighten down on the investor-owned life insurance sale. We believe we took a leading position in trying to tighten that down and stem the tide of that. We, like several other companies, did it through a combination of changes in our underwriting process, certifications by both agents and by customers, reviewing trusts, and generally reviewing the entire process, specifically in the older age marketplace at the higher face amounts where that type of business tended to come in. We stemmed the tide fairly successfully, so much so that we saw a fairly significant drop in our universal life sales at the older ages. In the second half of 2006, we indicated to you, as I believe has come true, that we were going to establish a fairly new baseline from which to grow. We believe that that has occurred and we have indicated that we believe most of the investor-owned life insurance sales have stopped coming through our reported numbers." (American General CEO on Q4 2006 AIG earnings call; March 2, 2007.)

- "In an effort to screen out IOLI sales, the company stopped accepting premiums financed on a non-recourse basis in February 2006, and it has taken proactive steps to improve its surveillance/detection capabilities and its product designs." (Phoenix Life, Fitch report quoted in BestWire, Feb. 27, 2007.)

- "And then U.S. retail life sale, the rebound in the last quarter, a lot of it came actually from the Transamerica Group where there was a period of time there where the IOLI, the industrial life sales and our stance on that slowed things down a bit. But we think that, as a whole, we're back to work there and doing better." (Aegon President and CEO on Final Year Earnings Call; March 8, 2007.)